

AR27

Report of the President Financial Statements



POLYSAR GROUP OF COMPANIES

Polymer Corporation Limited,
Sarnia, Ontario, Canada

Importadora Canada S.A. De C.V.,
Mexico City, Mexico

Kayson Plastics & Chemicals Limited,
Preston, Ontario, Canada

Polymer Corporation (SAF),
La Wantzenau (Bas-Rhin), France

Polysar (U.K.) Limited,
London, England

Polysar Belgium N.V.,
Antwerp, Belgium,
Plant Site: Zwiindrecht

Polysar Handelmaatschappij N.V.,
Amsterdam The Netherlands

Polysar International S.A.,
Fribourg, Switzerland

Polysar Italiana S.p.A.,
Milan, Italy

Polysar Incorporated,
Akron, Ohio, U.S.A.

Polysar Nederland N.V.,
Amsterdam, The Netherlands

Polysar Skandinaviska AB,
Goeteborg, Sweden

Société Française Polysar,
Paris, France

Société des Latex S.A.,
Fribourg, Switzerland

Synthetic Elastomers Development S.A.,
Fribourg, Switzerland

Trent Rubber Services Limited, 7
Lindsay, Ontario, Canada

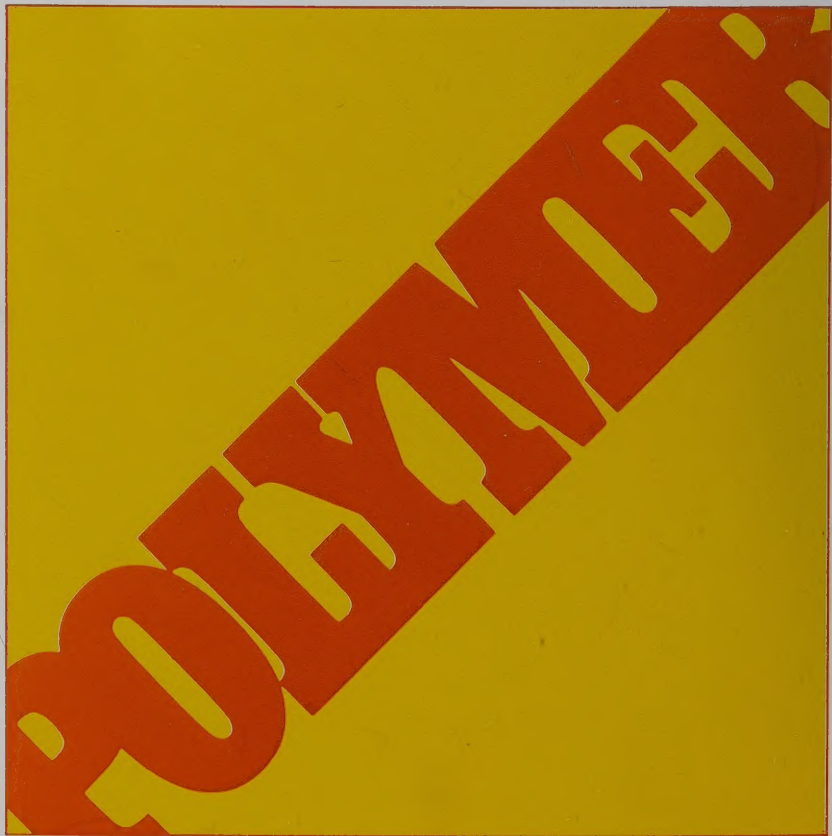
OTHER INTERESTS

Hules Mexicanos S.A., (40%)
Mexico City, Mexico

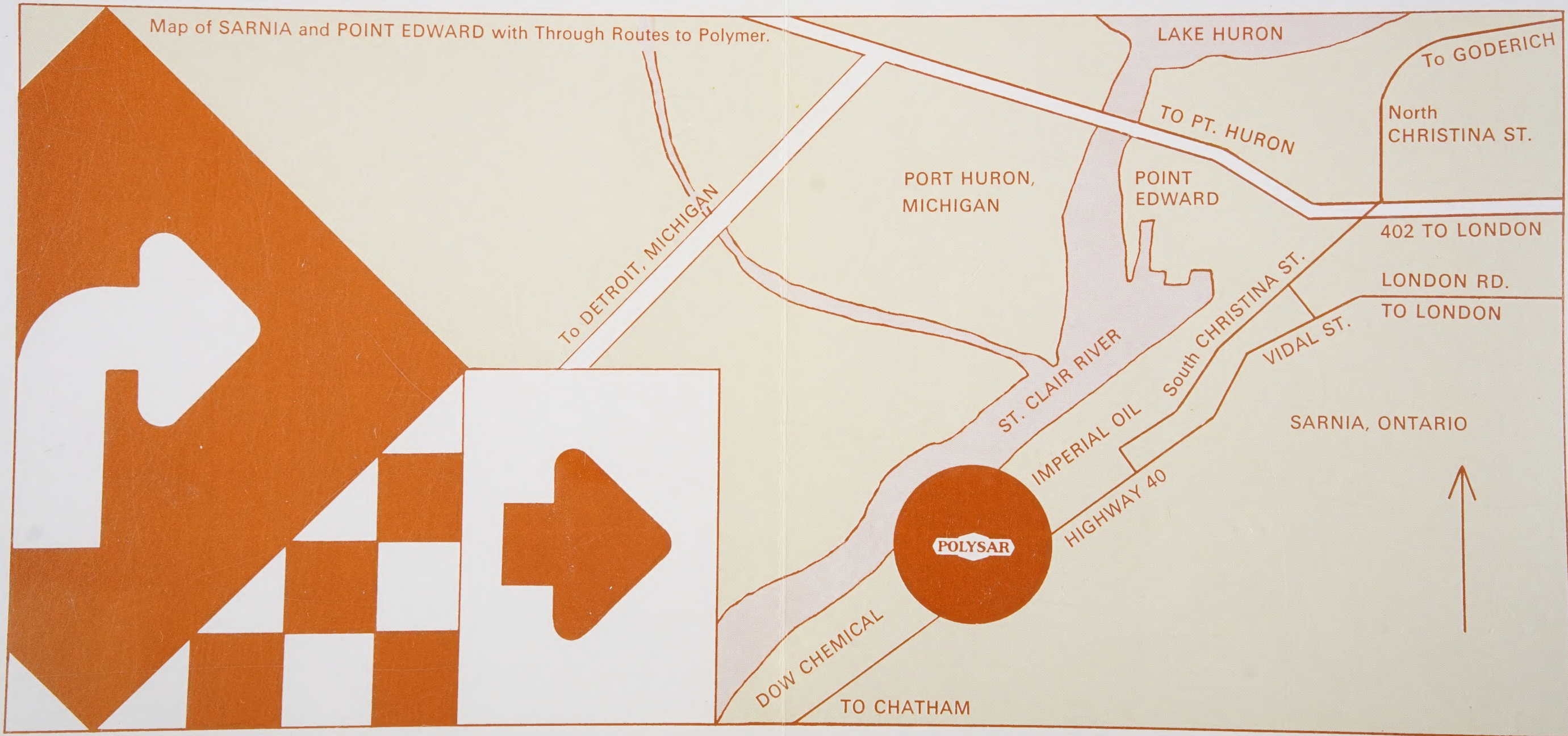
Silmex S.A., (43%)
Mexico City, Mexico

AR27





Map of SARNIA and POINT EDWARD with Through Routes to Polymer.

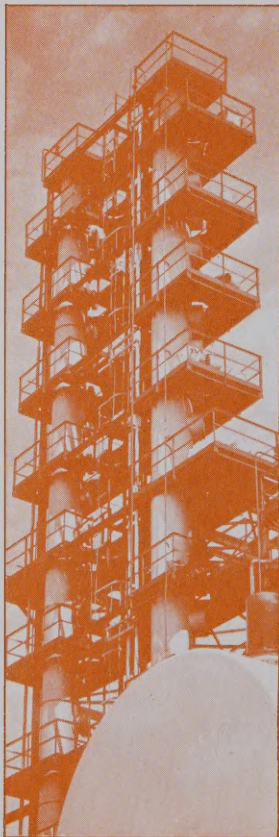


Welcome To Polymer

We are pleased to have you as our guest at Polymer Corporation. You may see as you visit our facilities, how a large petrochemical company manufactures and develops synthetic rubbers and plastics for the markets of the world.

Polymer's POLYSAR products are the standard of quality in some 90 countries, and are the raw materials for a worldwide fabricating industry.

We hope that both your interest and your curiosity will be aroused as you take a closer look, via this booklet, at Polymer's Sarnia facilities, the hub of our far-flung activities. We welcome you.



Who We Are

Polymer Corporation Limited is a Canadian crown corporation manufacturing synthetic rubbers, latices and plastics for the world's fabricating industries. Employing more than 3,000 people, the company is based in Sarnia, Ontario, with subsidiary and affiliate operations in several countries. We have only one shareholder, the Canadian government. However, our activities are conducted in the same manner as a private enterprise corporation, guided by a board of directors comprised of distinguished Canadian businessmen. Since its founding in 1942, the company has carried the Canadian reputation for quality and imagination to all parts of the globe.

90



What We Do

At Polymer, we make over 90 types of synthetic rubbers and plastics, major links in the long chain which begins in the oil fields of Alberta and extends to hundreds of consumers around the world.

Petroleum is the basis for the synthetic rubber and plastics industry, and raw materials are brought by pipeline to nearby oil refineries, and then to Polymer.

From various refinery streams, such basics as Ethylene, normal Butylene and Isobutylene are separated and purified before going on to the actual rubber production facilities. This separation and purification process, as well as the production of other basics such as Styrene, is the initial stage in the manufacture of synthetic polymers like rubber, latex and plastics.



Where We Are

Polymer products may be found in almost every nation of the world. In fact, the Polymer marketplace spans some 90 countries, a far cry from the early days of the company when our customer list was limited to the armed forces of Canada and her allies. Now, as a result of imaginative and aggressive marketing, the Polymer organization supplies more than 8 per cent of the free world's synthetic rubber from manufacturing plants in Sarnia, Canada; Strasbourg, France; and Antwerp, Belgium. In addition, a plastics and chemicals company in Preston, Ontario, is a wholly-owned subsidiary. Polymer also holds minority interests in plants in Tampico, Mexico and Sasolburg, South Africa.

All marketing outside Canada is controlled from the headquarters of a key subsidiary, Polysar International S.A. in Fribourg, Switzerland, with offices in Mexico, Italy, France, the United Kingdom, Austria, and Japan, or through another subsidiary, Polysar Incorporated in the United States.



How Do We Make Synthetic Rubber?

Although the manufacture of synthetic rubber is a complex process, the basic principles may be explained in simple terms.

Any substance, such as Carbon, Hydrogen, or Nitrogen is made up of atoms. An atom is the smallest known particle having all of the properties of that substance. Atoms combine in hundreds of patterns to make up molecules.

Molecules of the same type each have the same arrangement of atoms.

Polymer chemists found that some molecules (called monomers) link their atoms together into much longer chains called polymers. Hence, by manipulating, and combining or linking different molecules in varying proportions, we can make hundreds of totally dissimilar things. This linking of monomers is called polymerization. Rubber is made by this process of linking molecules together.

In the case of the Styrene-Butadiene family of rubbers, commonly called SBR, the two monomers we combine are styrene and butadiene in the ratio of about 1 part to 3 parts by weight.

Similarly, isobutylene monomer joins with isoprene monomer to produce Butyl rubber, and ABS plastic is made by polymerizing three monomers . . . Acrylonitrile, Butadiene and Styrene.

A Typical Process in The Manufacture Of Synthetic Rubber

Monomers react in the presence of a catalyst to form latex, an emulsion of rubber particles in water.

Emulsion is blown with steam to remove unreacted monomers for re-use.

MONOMER RECOVERY

Latex is treated with a coagulant to break the emulsion, forming granules of rubber in water.

STEAM

CATALYST

MONOMERS
(butadiene
and styrene)

WATER

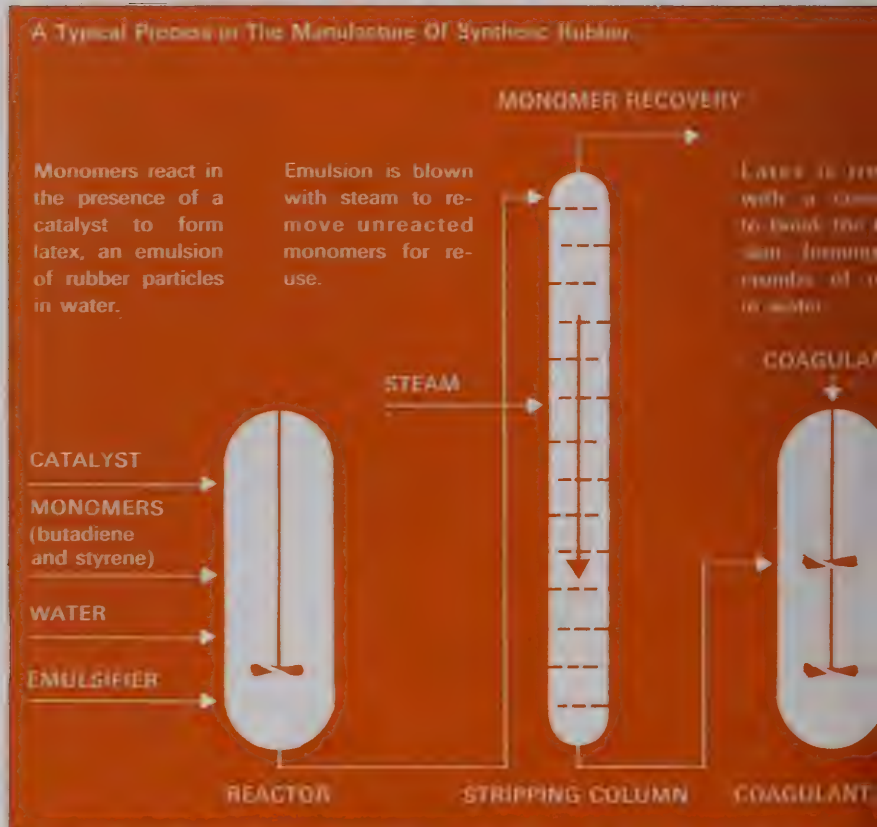
EMULSIFIER

REACTOR

STRIPPING COLUMN

COAGULANT

COAGULANT



Water is separated
from the rubber,
and rubber is dried.





Polymer & Research

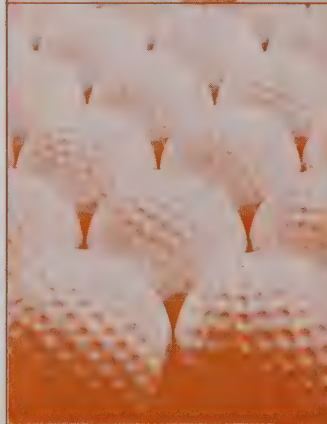
With one of the largest industrial research facilities in Canada, Polymer is involved in a continuing effort to develop new polymeric materials, to improve, and to find new applications for those which now exist.

Polymer's research and development division has established a worldwide reputation by developing a number of "firsts" in the industry, including the first commercial production of high-styrene special purpose polymers, development of a synthetic balata, development of new thermoplastics and a host of other exciting materials now finding their way into your life in products which range from chewing gum and golf balls to surgical splints and lunar vehicles.



A Few Facts

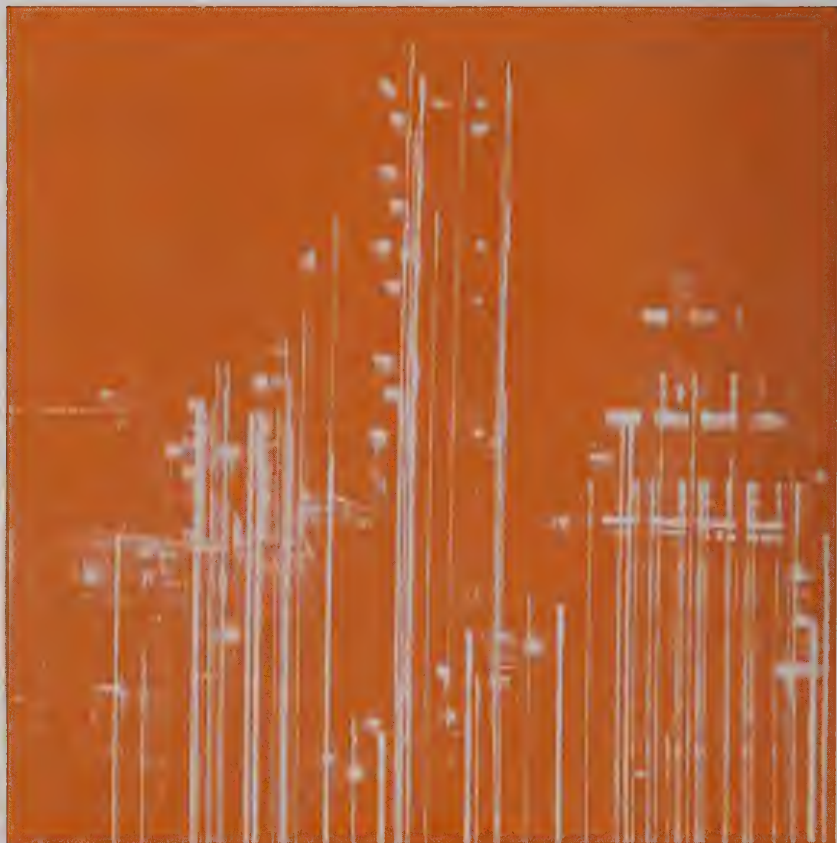
- Polymer manufactures about 600 million pounds of rubber and plastics per year in its three plants at Sarnia, Ontario; Strasbourg, France; and Antwerp, Belgium.
- Polymer's facilities have been erected at a cost approaching 200 million dollars.
- Of all Polymer's employees, about 3,000 are employed in Sarnia, and of these, 10 per cent are university graduates.
- Polymer's payroll and benefit plan total about 30 million dollars annually.
- Polymer's property in Sarnia totals 576 acres and includes production, marketing, research and development facilities, administrative offices, mechanical shops, warehouses, a fire department, a training centre, and a hospital.
- Polymer produces all of its own steam and electrical power. The six boilers located in the company's powerhouse produce enough steam to heat 40,000 average-sized homes, about 1 billion, 600 million BTU's per hour. The huge generators produce 22,000 KW of electricity per hour.
- More energy is required to make a pound of rubber than to produce a pound of aluminum, often described as the highest energy consumer.
- Each month, Polymer in Sarnia uses 1,900,000 pounds of soap and other emulsifiers, 50,000 gallons of acids, 60,000 pounds of talc and 1,800,000 pounds of salt. Oddly enough, we also use 1,000 pounds of oil and 50,000 pounds of glue per month.
- Since 1943, Polymer has produced more than 6 billion pounds of rubbers and plastics. This is enough material to make:
 - 800 million passenger car tires, or
 - footwear for every man, woman and child alive today, or
 - a conveyor belt which would stretch to the moon.



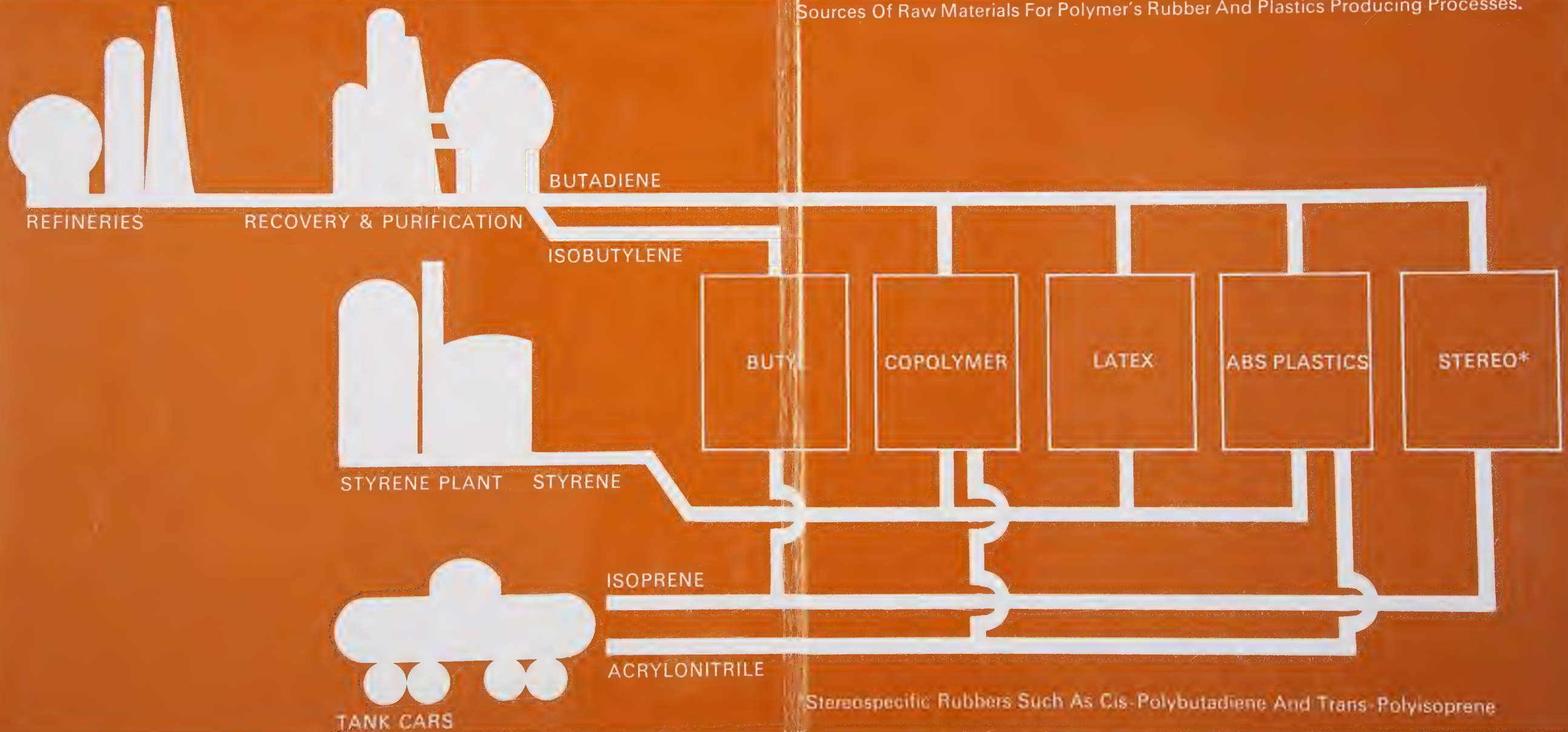
Polymer & You

Every time you hit a golf ball, or get into your car, or sit in your favorite easy chair, chances are you come in contact with Polymer products. Among the thousand items made from Polymer rubbers and plastics are such everyday things as tires, telephone housings, footwear, luggage, foam mattresses, packaging of all types, paper coatings, sports equipment, medical casts and supports, carpet backing, adhesives, roofing . . . products which play an important role in all of your activities, at work and at play.

Polymer people turn their ideas into materials which make life easier, safer and more fun for you, every day.



Sources Of Raw Materials For Polymer's Rubber And Plastics Producing Processes.



Stereospecific Rubbers Such As Cis-Polybutadiene And Trans-Polyisoprene



Polysar Corporation Limited

Polymer Corporation Limited / Head Office: Sarnia, Ontario, Canada

DIRECTORS

Fraser W. Bruce	<i>Montreal — Chairman, Canadian Executive Service Overseas; Director, Alcan Aluminum Ltd., Gulf Oil Canada Limited and National Trust Co.</i>
J. A. Hodgson	<i>Montreal — Chairman of the Board of C. J. Hodgson & Co. Inc.</i>
W. Ladyman	<i>Toronto — International Vice President, International Brotherhood of Electrical Workers; Vice President Canadian Labour Congress; Director, Ontario Housing Corporation; member of Economic Council of Canada.</i>
Eugène Laflamme	<i>Quebec City — President and Managing Director of South Shore Industries Ltd.; Vice President and Director of Valico Inc.; Director Institute de Cardiologie and Autobus Levis Ltée.</i>
C. A. Massey	<i>Toronto — Director, Rothmans of Pall Mall Canada Ltd.</i>
W. Harold Rea	<i>Toronto — Chairman, Great Canadian Oil Sands Ltd.; Vice President and Director, the Mutual Life Assurance Co. of Canada Ltd.</i>
E. R. Rowzee	<i>Sarnia — President and Managing Director, Polymer Corporation Ltd., member of Board of Governors, Ontario Research Foundation; President, Society of Chemical Industry.</i>
F. H. Sherman	<i>Hamilton — President, Chief Executive officer, Dominion Foundries and Steel Limited; Director, Bank of Nova Scotia, National Steel Car Corporation and Canron Limited.</i>
Ron W. Todgham	<i>Windsor — President, Chrysler Canada Ltd.; Director, Union Gas Co. of Canada Ltd. and Crown Trust Co.</i>

OFFICERS

E. R. Rowzee, <i>President and Managing Director</i>
R. E. Hatch, <i>Executive Vice President</i>
I. C. Rush, <i>Executive Vice President</i>
G. Bracewell, <i>Vice President</i>
E. J. Buckler, <i>Vice President</i>
R. S. Dudley, <i>Vice President</i>
C. A. McKenzie, <i>Vice President</i>
J. R. Provo, <i>Vice President</i>
S. Wilk, <i>Vice President</i>
W. J. Dyke, <i>Secretary and Chief Legal Officer</i>

FINANCIAL HIGHLIGHTS / Thousands of dollars

	1969	1968
Net sales and other income	159,970	143,901
Net Income	13,823	7,033
Dividends	6,000	3,000
Provision for Income Tax	5,540	2,621
Provision for Depreciation	13,585	13,169
Working Capital	70,236	59,303
Plant and equipment at cost	223,122	214,183
Capital expenditures	9,123	11,071
Total payroll and benefits	34,302	33,152

Pour obtenir l'édition française de ce rapport, prière d'écrire au Secrétaire de la Société Polymer Limitée, Sarnia, Ontario, Canada.

Report of the President



*The Honourable James Richardson,
Minister of Supply and Services,
Ottawa, Canada.*

Dear Mr. Richardson:

It is a pleasure to present, on behalf of the Board of Directors, the consolidated Annual Report of Polymer Corporation Limited and its subsidiaries for the year ended December 31, 1969.

For Polymer the year 1969 was one of renewal and accomplishment. A comprehensive study of the Company with particular emphasis on its future was completed. A program of growth and diversification was embarked on and a thorough revamping of organization structure took place. By this means a highly dynamic situation was created and momentum established. There was a positive response to the changed situation and new high levels of consolidated sales and earnings were achieved.

Net sales increased to \$155,718,000, a 10 percent increase over the previous year's \$142,102,000. In addition, other income increased to \$4,252,000 bringing the total income to \$159,970,000, an 11 percent increase over 1968.

Net Income climbed to \$13,823,000 as compared to \$7,038,000 in 1968, representing the highest profit yet achieved. High level demand for our

products, some slow-down in price declines, better loading of our new plant facilities and continued attention to cost effectiveness measures as a means of reducing the effects of inflation all contributed to the excellent results for 1969.

Dividends at the rate of \$3.00 per share were paid during the year. The total amounted to \$6,000,000 double the amount distributed in the previous year.

The financial position was strengthened by internal cash generation of \$29,370,000, an increase of 32% over the \$22,300,000 achieved in the previous year. After payment of dividends, \$9,123,000 was applied to capital expenditures, \$1,808,000 to a net reduction of long-term debt and \$1,288,000 to meet previously deferred income tax obligations. Working capital increased by \$10,933,000 to a year-end balance of \$70,236,000.

These results were made possible by the efforts of our world-wide organization — employees and distributors. I take this opportunity to thank Polysar people everywhere for an excellent job.

New facilities completed in 1969 included the Antwerp isobutylene plant and progress was made on the expansion of butyl rubber facilities in Antwerp and on additional styrene-butadiene rubber capacity in Strasbourg. Both of these expansions recognize opportunities for synthetic rubber in Europe which for the foreseeable future will be greater than those available in North America. The Strasbourg general purpose expansion is also linked to the foam latex plant to be established on that site in 1970.

Late in the year the Sarnia steam and power plant ceased to use coal fuel thus eliminating the emission of fly-ash. Boilers are now burning either gas or oil, and when the full conversion to gas is completed early in the new year emission of sulphur dioxide to the atmosphere will be eliminated as well.

During 1969 commitment was made at all levels to a new plan for Polymer calling for growth and diversification

Polymer Corporation Limited and subsidiary companies

Consolidated Statement of Income and Expense / for the year ended December 31, 1969

Income	1969	1968
Net sales of products and services	\$155,717,712	\$142,101,561
Other income	4,252,096	1,799,679
	<u>159,969,808</u>	<u>143,901,240</u>
Expense		
Cost of sales	123,429,338	117,431,184
Selling, administration and research	17,198,363	15,691,901
	<u>140,627,701</u>	<u>133,123,085</u>
Net income before provision for income tax and extraordinary items	19,342,107	10,778,155
Extraordinary items		1,199,473
Provision for income tax (Note 2)	5,540,122	2,620,838
Net income before minority shareholders' interest	13,801,985	6,957,844
Minority shareholders' interest in subsidiary companies	21,303	80,134
Net Income	<u>\$ 13,823,288</u>	<u>\$ 7,037,978</u>

Consolidated Statement of Retained Earnings / for the year ended December 31, 1969

Balance at beginning of year	\$ 75,825,670	\$ 73,130,580
Net income for the year	13,823,288	7,037,978
	<u>89,648,958</u>	<u>80,168,558</u>
Subsidiary company earnings prior to consolidation	98,634	
	<u>89,747,592</u>	<u>80,168,558</u>
Dividends	6,000,000	3,000,000
Provision for future year's tax liability in subsidiary company		350,000
Excess of cost of shares and assets in subsidiary companies over book value of net assets at date of acquisition		992,888
	<u>6,000,000</u>	<u>4,342,888</u>
Balance at end of year	<u>\$ 83,747,592</u>	<u>\$ 75,825,670</u>

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Source and Application of Funds /
for the year ended December 31, 1969

Source of Funds	1969	1968
From operations		
Net income.....	\$ 13,823,288	\$ 7,037,978
Depreciation and other items not requiring a current outlay of funds.....	14,679,121	14,059,815
Deferred income tax		280,992
Recovery of French sales taxes.....	867,703	921,476
	<u>29,370,112</u>	<u>22,300,261</u>
Long-term debt	5,080,700	3,000,000
Capital stock issued	121,500	
Realized from sale of capital assets	32,907	212,275
	<u>34,605,219</u>	<u>25,512,536</u>
Application of Funds		
Capital expenditures	<u>9,123,186</u>	<u>11,071,139</u>
Deferred income tax	1,287,655	
Deferred charges	373,068	215,684
Reduction of long-term debt	6,888,211	3,790,398
Dividends declared	6,000,000	3,000,000
Excess of cost of shares and assets in subsidiary companies over book value of net assets at date of acquisition.....		992,888
	<u>23,672,120</u>	<u>18,986,109</u>
Increase in Working Capital	\$ <u>10,933,099</u>	\$ <u>6,526,427</u>

Polymer Corporation Limited and subsidiary companies

Notes to Financial Statements

1. Basis of Consolidation and Exchange

Translation: The consolidated financial statements reflect the financial position and the results of operations of Polymer Corporation Limited and its subsidiary companies, Polymer Corporation (SAF), Polysar Belgium N.V., Polysar Incorporated, Polysar International S.A., Polysar Italiana S.p.A., Polysar Nederland N.V., Polysar (U.K.) Limited, Importadora Canada S.A. De C.V., Kayson Plastics & Chemicals Limited, Société des Latex S.A., Société Française Polysar, Synthetic Elastomers Development S.A., and Trent Rubber Services Limited. Translation of foreign currencies into Canadian dollars has been effected as follows: current assets and current liabilities at rates of exchange in effect on December 31; all other assets and liabilities at the rates prevailing when the assets were acquired or the liabilities incurred; and income and expense at average rates in effect during the year except depreciation which was translated at the rates prevailing when the expenditures on the related fixed assets were made. The devaluation of the French franc resulted in an unrealized gain of \$805,000 on long-term debt and will be recorded as income in future years when the debt, to which it relates, becomes current.

2. Depreciation and Income Tax: Depreciation is based on the expected useful life of the companies' assets.

The Canadian companies claim capital cost allowance permitted under the Income Tax Act in calculating taxable income. Commencing with 1969, the company's foreign subsidiaries apply accelerated depreciation for income tax purposes where it is advantageous to do so.

A provision has been made for deferred income taxes in an amount equivalent to the income tax reduction resulting from the difference in treatment of depreciation. The "Deferred Income Tax" account in the Balance Sheet may be reduced in years when depreciation expense exceeds that claimed for income tax purposes.

The effect of this policy during 1969 resulted in a decrease of Deferred Income Taxes of \$1,287,655 during the year.

3. Long-term Debt: Polymer Corporation (SAF): Loans total Fr. 41,625,000

(\$8,894,766) and are repayable in French francs during the years 1970-1977.

With the exception of Fr. 22,500,000 (\$4,807,980), the loans are guaranteed by Polymer Corporation Limited.

Polysar Belgium N.V.: A loan of Fr. 635,000,000 (\$13,728,700), guaranteed by the parent company and secured by a mortgage on land and buildings, is repayable in Belgian francs during the years 1970-1977.

Polymer Corporation Limited: A 7.5% debenture issue totalling \$18,000,000, of which \$15,000,000 was received in 1967, and \$3,000,000 in 1968, is repayable as follows:

- a) \$5,000,000 Serial Debentures Series A - equal annual instalments of \$1,000,000 during the years 1970-1974. The instalment maturing in 1970 is included in current liabilities.
- b) \$13,000,000 Sinking Fund Debentures Series A, maturing November 1, 1987. - pursuant to sinking fund requirements, annual payments of \$650,000 during the years 1975-1986 and a final payment of \$5,200,000 in 1987.

A loan of U.S. \$4,000,000 (\$4,320,000) is repayable in United States dollars in equal annual instalments during the years 1970-1973. The instalment maturing in 1970 of U.S. \$1,000,000 (\$1,080,000) is included in current liabilities.

Kayson Plastics & Chemicals Limited: A loan of \$14,027 secured by a mortgage on land and buildings, is repayable during the years 1970-1972.

4. Anticipated Capital Expenditures: It is estimated that the Company and its subsidiaries will spend \$44,965,000 next year on investments and acquisition of capital assets.

5. Supplementary Information: The accounts for 1970 include the following amounts: depreciation, \$13,584,692; remuneration of directors of the Company and its subsidiaries as directors, officers or employees, \$577,816; and interest on long-term debt, \$2,714,195.

Auditor's Report

Ottawa, February 13, 1970

The Honourable James Richardson,
Minister of Supply and Services, Ottawa

Sir,

I have examined the accounts and financial statements of Polymer Corporation Limited and its subsidiary companies for the year ended December 31, 1969. In compliance with the requirements of section 87 of the Financial Administration Act, I report that, in my opinion:

- a) proper books of accounts have been kept by the Company and its subsidiaries;
- b) the financial statements of the Company and its subsidiaries
 - i) were prepared on a basis consistent with that of the preceding year and are in agreement with the books of account,
 - ii) in the case of the Consolidated Balance Sheet, give a true and fair view of the state of the affairs of the Company and its subsidiaries as at the end of the financial year, and

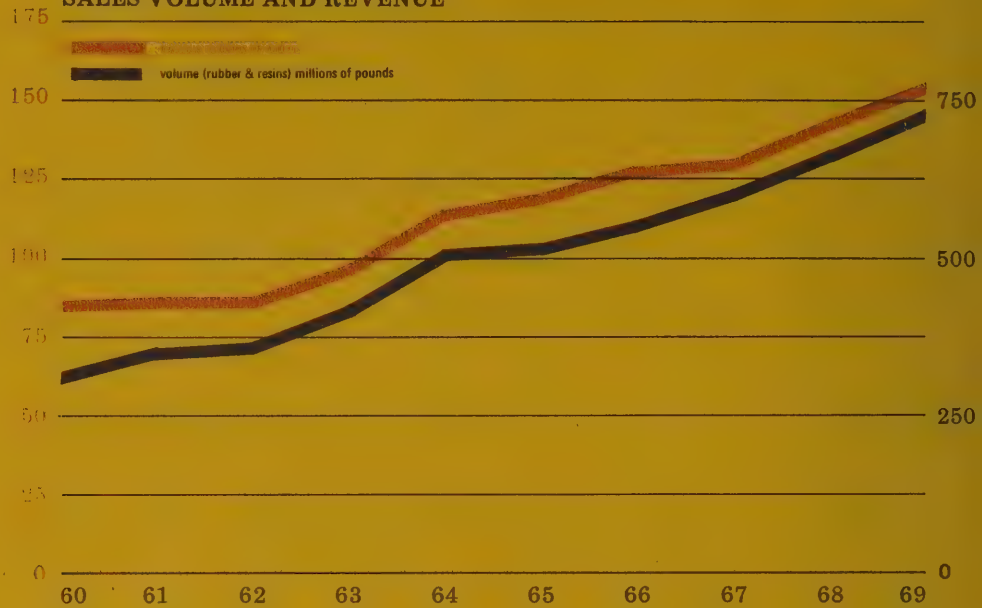
- iii) in the case of the Consolidated Statement of Income and Expense, give a true and fair view of the income and expense of the Company and its subsidiaries for the financial year; and
- c) the transactions of the Company and its subsidiaries that have come under my notice have been within the powers of the Company and its subsidiaries under the Financial Administration Act and any other Act applicable to the Company and its subsidiaries.

Yours faithfully,

A. M. Henderson

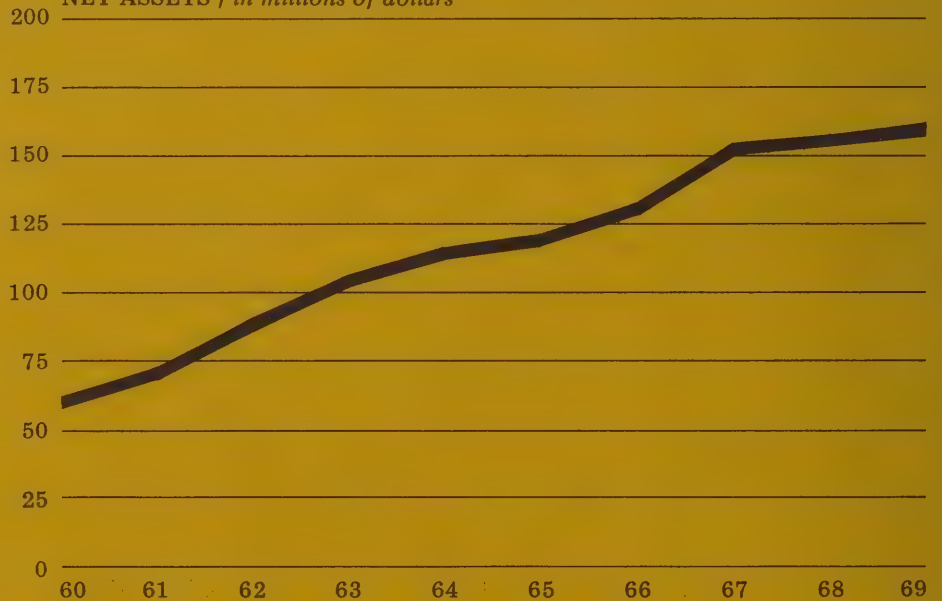
Auditor General of Canada

SALES VOLUME AND REVENUE



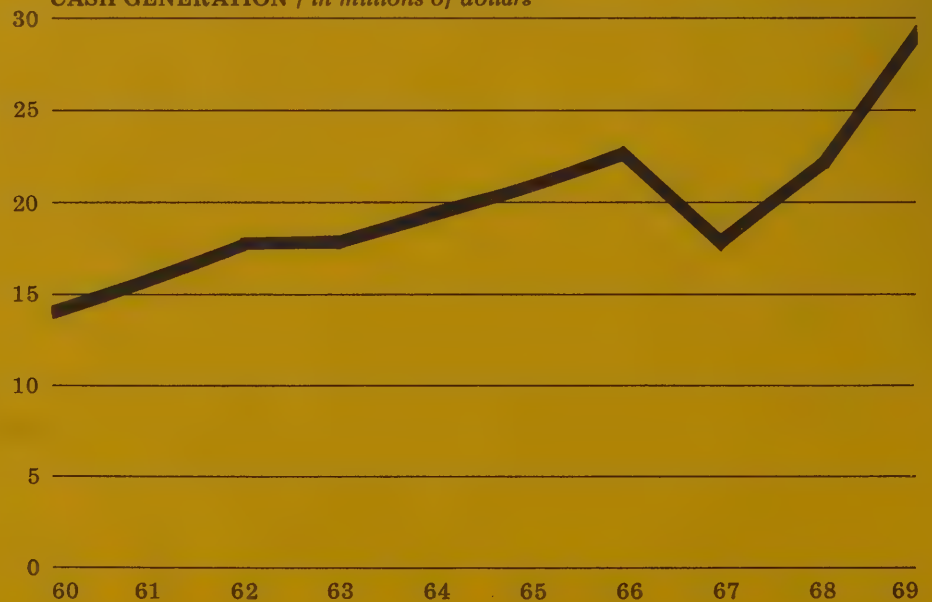
Sales revenue increased by 10 percent reflecting the record level of business activity.

NET ASSETS / in millions of dollars



An increase in liquid assets put the Company in a strong financial position for planned growth of the 1970's.

CASH GENERATION / in millions of dollars



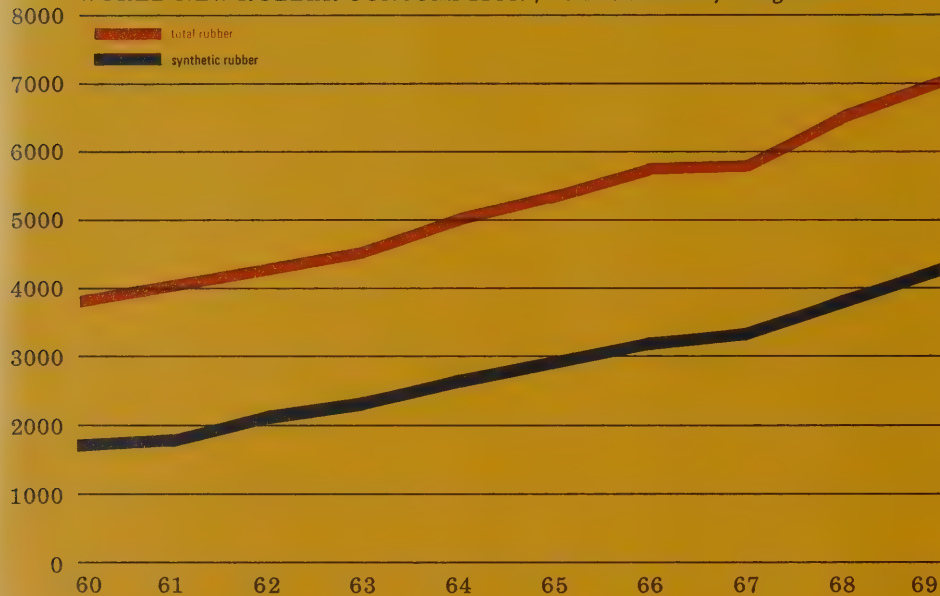
Higher net income contributed to the increased cash generation from operations.



POLYSAR — the registered trademark of Polymer Corporation Limited • POLYSAR . . . everywhere

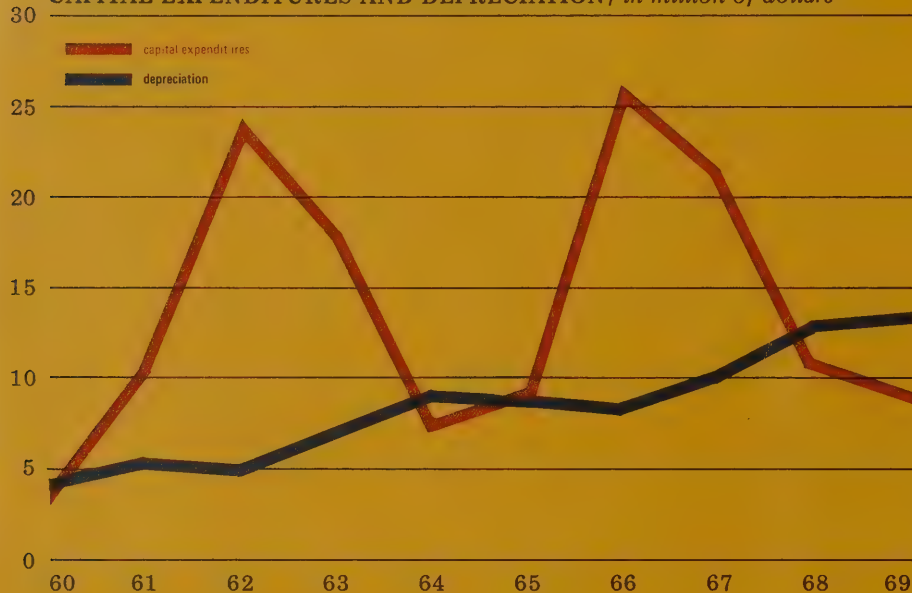
Printed in Canada

WORLD NEW RUBBER CONSUMPTION / In Thousands of Long Tons



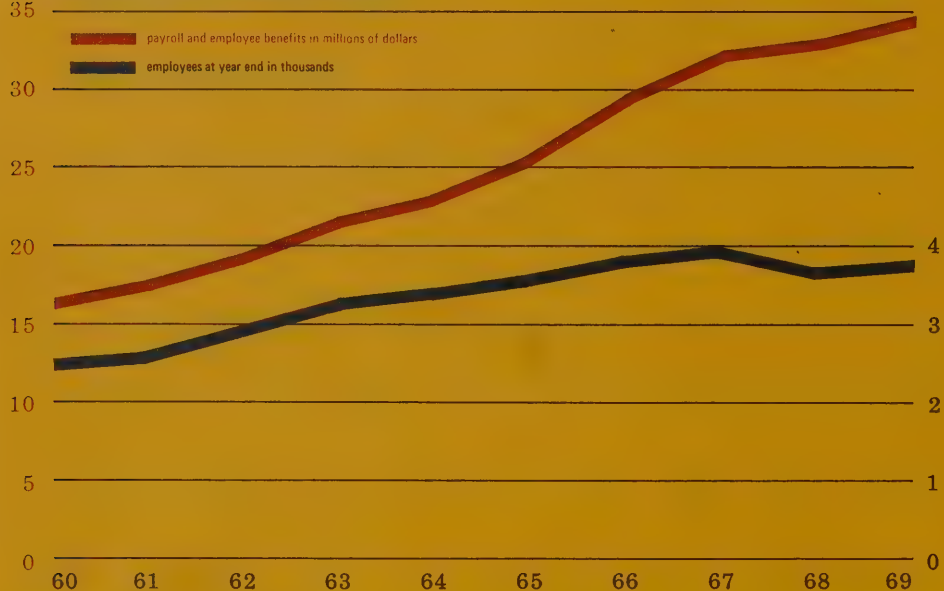
Impressive gains have been registered in world rubber consumption. The share held by synthetic rubber continues to rise.

CAPITAL EXPENDITURES AND DEPRECIATION / in million of dollars

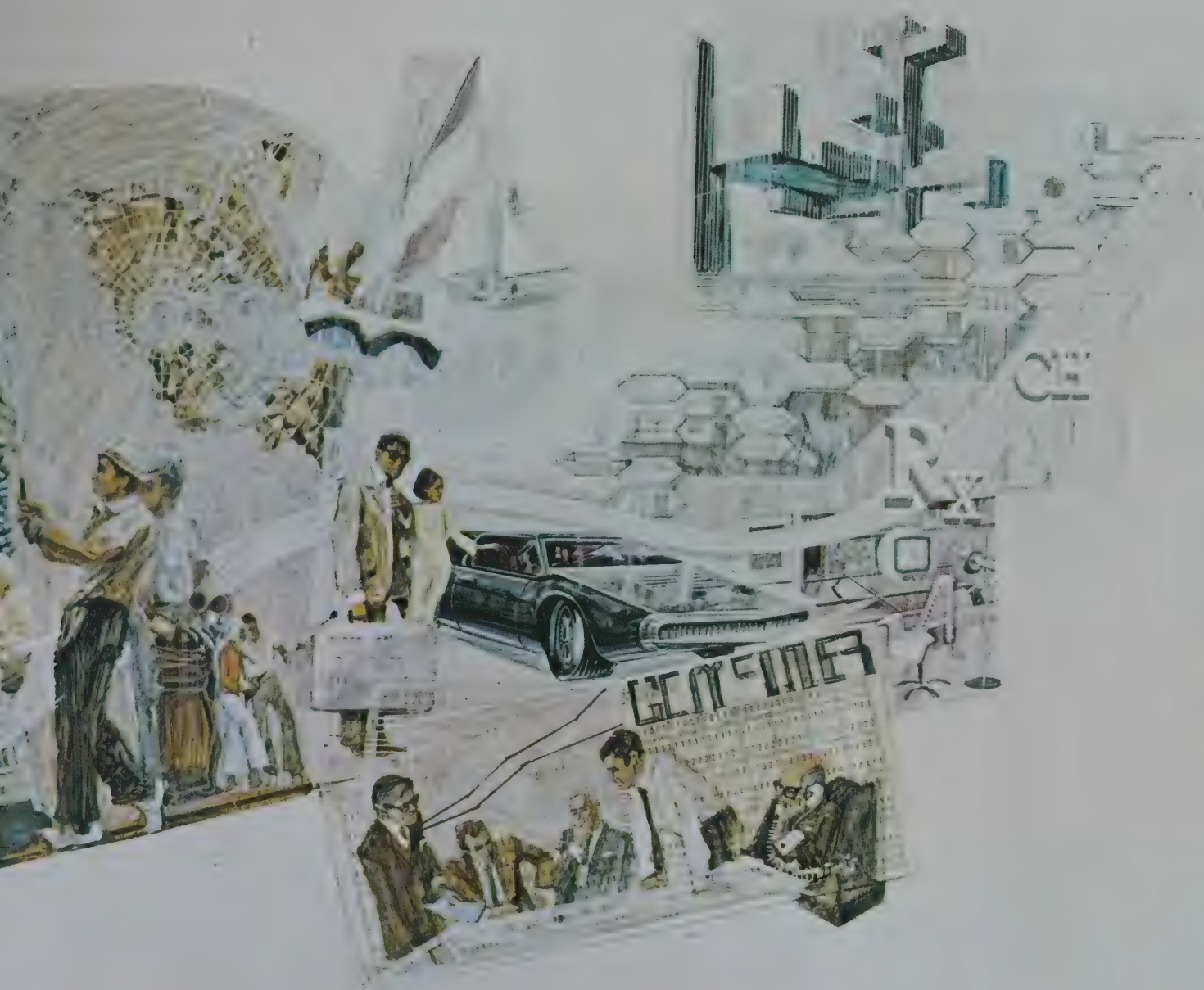


Improvements and expansion of production facilities in Canada and in Europe together with major expenditures for abatement of air and water pollution were made in 1969.

PAYROLL AND EMPLOYMENT



Payroll costs continue to rise due to escalation world-wide together with a small staff increase.



operations



Profile for Polymer . . . An Outsider's View

Today's visitor to Polymer Corporation Limited finds little that's traditional, except the furniture. Even there the defences are disappearing, for in one of the executive offices sits a Queen Anne chair molded completely from polystyrene.

That chair is perhaps the most tangible sign at Polymer of the awakening vitality within; for in fact the company and its management are caught up with the excitement of a new direction. Many of the old assumptions are being questioned, found wanting, and discarded; and in their place an enthusiastic, involved management team is talking to one another, slicing away bureaucracy and designing new directions for the future.

Polymer is on the brink of an exciting expansionary phase that will transform it into a broadly-based multi-national firm with a basic technological position in several different industries. In breaking out of its mold as a one-product company, Polymer has taken a few initial steps, but a full commitment has yet to be made and stakes are high.

In his 1969 budget report to the company's shareholder, E. Ralph Rowzee, president of Polymer, pointed out that, *"now is the time for the bold approach, because we have the resources, our people are ready for it, and because the business risks of retaining a one product approach are too high to be accepted"*.

Polymer Corporation plans to acquire basic positions in pioneering, faster-growing industries,

especially those which are based on application of advanced technologies. The search is world-wide, and the seller of technology could be an established corporation or a backyard inventor.

By early 1970 an initial commitment was made. It involved acquiring exclusive Canadian license rights to a unique, industrialized system for construction of reinforced concrete housing. The patented system uses a concrete that expands chemically while drying, thus stressing the reinforcing steel of a three-dimensional modular unit.

This venture could markedly change the Canadian construction industry by providing low cost, light weight and flexible housing units. Through exclusive options obtained for other countries, Polymer's activities in this field may well extend internationally.

In making this leap to become a diversified industrial enterprise playing a key role in the industrial development of many countries, Polymer came up with a structural reorganization that virtually turned the company inside-out.

At the end of February 1969, Ian Rush and Roger Hatch were named executive vice-president for operations and development respectively.

One division, the largest at the moment and headed by Mr. Rush, is devoted to managing existing business to the best advantage and seeking opportunities for improving it, while the other, headed by Mr. Hatch, is searching for and evaluating

new lines of endeavour for the company to enter.

The result of the corporate realignment has been a flexible, world-wide organization committed to the belief of *"participation and involvement of all its people"*. It's a philosophy which has spread throughout the entire organization, and nuclei are springing up, forcing change in all areas at all levels.

PEOPLE — THE KEY. Realizing this, president Rowzee is now working more closely than ever before with Firm Bentley, director of personnel and industrial relations, seeking optimum development of the management resource.



Firm Bentley; "effectively develops talent"

"Our new concept of growth is a dynamic thing", Mr. Rowzee explained, "and the outstanding companies of the future will be those which prove most successful in challenging and motivating their employees".

Therefore it is not surprising that one of Firm Bentley's key assignments is to find methods which will permit Polymer to develop people more effectively and free their latent capabilities.

In fact the outside observer of the company will probably see Polymer's decision to accept the discomforts inherent in the new open environment, as one of the most striking aspects of the current corporate profile.

It is the company's intention to communicate clearly and quickly to its people the key objectives and their priorities for each unit of the organizational structure, encouraging them to develop with minimal detailed guidance, the best systems for reaching these objectives. At the same time the corporation expects willingness to accept constructive change; to work in teams; to take the initiative for self-improvement; and to interact and communicate openly and frankly with others.



Ian Rush; "flexible team efforts"

THE TEAMS. In the latter part of 1968, Polymer spent a great deal of time establishing where its future lay, and in January and February of 1969, a course emerged that senior management subscribed to with enthusiasm. They had been working unsuccessfully for some time to achieve this goal.

Bringing the entire concept into focus was the separation of Polymer into two main segments, Operations under Ian Rush and Development under Roger Hatch.



Charles A. McKenzie; North and South America

In April of 1969, Mr. Rush named Charles A. McKenzie, vice-president, North and South American operations and Robert S. Dudley, European operations vice-president.



Robert S. Dudley; Europe

Knitting these operating structures together is a marketing organization which is responsible for assessing potentials, development of strategies, policies and programs and the monitoring of performance.

All of this is achieved through the two-dimensional "grid" organization which utilizes a product manager-business team concept. As a team, the product manager, the production man for the product in question, the sales manager for each area, and the appropriate development person, established goals, devise strategies and programs, and monitor progress.

The grid and the business teams are already tending to loosen the rigid, highly-structured functional organization which the company had prior to the change. Delegation of authority has become more common,

and information is now flowing more freely to the benefit of the company.

"In effect," Mr. Rush stated, "we unlocked a tremendous amount of talent and ingenuity which existed in Polymer previously, but just wasn't being released."

Roger Hatch's development division is responsible for the utilization of the company's skills, knowledge, experience and strong position in world-wide marketing. The prime purpose is to broaden the company's horizons beyond the existing families of products into congeneric and unrelated fields of business.

Mr. Hatch appointed George Bracewell and John Provo as vice-presidents to share responsibility for the direction of the development activities.

The development division was also set up on a grid system. Open to any worthwhile ideas from any source, each "venture team" is headed by a manager who makes up his task force of key personnel from production, marketing, finance and technical areas. This team considers, investigates and evaluates an idea, and when that venture is presented to senior management for approval and receives it, the team will be expected to continue to operate the enterprise.

In fact, these men are acting much as entrepreneurs would and there is an extremely high degree of enthusiasm. As Mr. Hatch explains, *"These people must, of course, be capable and objective, but in general they are rebels, who work best in a flexible, open organization which is the major reason for the grid system."*

The key advantage of this whole reorganizational program as Polymer sees it, is to have one group look after current business, to develop and run it profitably and another group — development — which is not involved in the day-to-day operations, concentrate on broadening the base of the company in an aggressive and positive manner.



Roger Hatch, George Bracewell and John Provo; "new horizons"

IN RETROSPECT. The company was not always as flexible: in the old functional organization Mr. Rush was responsible for manufacturing in North America; Stanley Wilk, financial vice-president, had responsibility for European manufacturing; and Mr. Hatch was responsible for world-wide marketing of synthetic rubber. Any decision which involved both manufacturing and marketing required coordinated decisions from all three men. As the years went by Polymer became too big and too extended geographically for this system to work smoothly.

"We knew we were vulnerable," said President Rowzee. "We realized the need for internal change; and in 1966 we launched a program aimed at determining what the prime needs of the company were. But the financial crunch came before our examination had progressed to a point of decision."

The first concrete development resulting from the self-examination which went on in 1966-1967 was a cost effectiveness program that began in late 1967.

It was a difficult time for all sections of the company, as Bill Buckler, vice-president of research and development points out, *"Curtailment of research and development activity was necessary and the choice was made to restrict exploration in favour of backing projects with obvious profit potential. Business success with this strategy now makes it possible to reinstate exploratory work. At the present time, ideas are being selectively screened to determine what future explorations should be carried out."*



Bill Buckler; "portfolio of ideas"

The timing for this technological diversification is right, for 1969 has been the best year in the history of the company. Sales hit \$160 million and profits \$13.8 million. The significant turnabout this year has been due to several factors; more attention to effective management and positive contributions from people at all levels within the organization; a high level of demand for rubber; a lower rate of decrease in price structure and the benefits of the cost effectiveness program.

According to the president, *"What emerged from the company's reassessment of its priorities and objectives was an awareness that Polymer was soundly based and had a strong potential for growth, but that it was highly vulnerable to the cost/price squeeze situation. This meant that there was a high risk involved in remaining a one-line type of company. To be a synthetic*



Stanley Wilk; "good cash position"

rubber producer with a few odd businesses thrown in would be insufficient, and Polymer Corporation Limited decided to broaden its activities according to a carefully prepared plan."

Mr. Wilk, vice-president, corporate finance and planning, pointed out that, *"Polymer entered 1970 in a good cash position, future cash flows will be strong, but the company will require an infusion of outside capital. The international reputation of Polymer will be to our advantage when these funds are required."*

THE FUTURE. The future is bright for Polymer as it just now begins to spread its wings of diversification. There appears to be no doubt that the opportunities which the company is after will be forthcoming.

Polymer is not restricting itself to development opportunities within present business lines but is maintaining vigilance in many areas of developing technology. In certain of these areas, the preferred way for a company such as Polymer to become involved will be via the development of systems extending from synthesis through product to final fabrication. This will involve joint ventures, acquisitions, and possibly forward integration.

According to Mr. Hatch, *"The most gratifying thing that is happening at Polymer is the identification of so many sound and viable business opportunities — we are hard pressed to pick and choose the best."*

Naturally, the investigation and work in unrelated areas is in addition to development of current operations which also offer many promising opportunities. At present, the company is considering a natural rubber project in Malaysia and is carrying out a synthetic rubber feasibility study in India. In Japan, it has sold a licence for its know-how, and in Turkey another for two product lines. Russia has given the company a letter of intent to co-operate in the development of avenues through which there could be transfers of technology.

Obviously, Polymer's hard-won technological expertise is in great demand internationally. The objective now is to expand —

both geographically and technologically — and exploit that base in carefully chosen areas.

The strategies have been established and, as Mr. Wilk explains, *"The result of all of this deliberation both inside and outside the company is that we're on the move. — we've got to stay on the move and keep winning to make it work."*

In addition to this new excitement and vitality, one senses at Polymer a determination that the company's human, technological and financial resources are being channeled with precision to achieve the progressive realization of predetermined goals.

In the years ahead Polymer's management will be tested as never before and the leadership and team-spirit the company requires will not be lacking.



Lead copy report

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